

FISCAL NOTE
SB 2159 - HB 2265

February 16, 2004

SUMMARY OF BILL: Provides for a 1% rate decrease each year in the state sales and use tax on food or food ingredients. The decrease would begin in FY04-05 and continue through FY09-10 when the tax would be phased out in its entirety.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - FY05 \$64,765,000 (5% rate)
FY06 \$138,100,000 (4% rate)
FY07 \$219,685,000 (3% rate)
FY08 \$309,035,000 (2% rate)
FY09 \$405,495,000 (1% rate)
FY10 and thereafter \$508,240,000 (0% rate)

Increase State Expenditures - \$57,220

Estimate assumes:

- A base amount of food tax revenue of \$410,736,000 in FY03.
- The 2.3% average CPI for food over the last 10 years holds constant through FY10.
- Population growth of 1.092% through FY05 and .669% through FY10.
- An elasticity for food sales in Tennessee of .46 (source: UT Center for Business and Economic Research).
- Local governments will still be able to tax food sales after the FY10 elimination of state sales tax.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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